

**Award**  
**NASD Dispute Resolution, Inc.**

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In the Matter of the Arbitration Between

Name of Claimant

James F. Gordon

Case No. 00-00093

Names of Respondents

Grady and Hatch & Company, Inc.  
John Black  
Thomas King  
Rhett Kirchhoff  
Robert Grady  
Raymond Hatch

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**REPRESENTATION OF PARTIES**

For James F. Gordon, hereinafter referred to as "Claimant": Harry Haskins, Esq., Sarasota, Florida. On or about September 28, 2000, counsel for Claimant withdrew and Claimant thereafter appeared pro se.

Respondents Grady and Hatch & Company, Inc. ("Grady & Hatch"), John Black ("Black") and Robert Grady ("Grady") appeared pro se. On or about January 19, 2001, Robert G. Heim, Esq., Meyers & Heim, LLP, New York, New York, appeared as counsel for Respondents Grady & Hatch, Black and Grady.

Thomas King ("King") and Raymond Hatch ("Hatch") appeared pro se.

Respondent Rhett Kirchhoff ("Kirchhoff") did not appear.

Respondents Grady & Hatch, Black, King, Kirchhoff, Grady, and Hatch are hereinafter collectively referred to as "Respondents".

**CASE INFORMATION**

Statement of Claim filed on or about: January 7, 2000.

Claimant signed the Uniform Submission Agreement on: January 7, 2000.

Statement of Answer filed by Respondent Grady & Hatch on or about: July 14, 2000.

Respondent Grady & Hatch signed the Uniform Submission Agreement on: July 14, 2000.

Statement of Answer filed by Respondent Black on or about: May 23, 2000.

Respondent Black signed the Uniform Submission Agreement on: April 17, 2000.

Statement of Answer filed by Respondent King on or about: May 22, 2000.

Respondent King signed the Uniform Submission Agreement on: April 26, 2000.  
Respondent Kirchhoff did not file a Statement of Answer or executed Uniform Submission Agreement.  
Statement of Answer filed by Respondent Grady on or about: May 23, 2000.  
Respondent Grady signed the Uniform Submission Agreement on: April 20, 2000.  
Statement of Answer filed by Respondent Hatch on or about: October 13, 2000.  
Respondent Hatch signed the Uniform Submission Agreement on: November 8, 2000.

### CASE SUMMARY

Claimant asserted the following causes of action: 1) negligence; 2) misrepresentation; 3) omission of facts; 4) inducement; 5) fraud; 6) failure to disclose; 7) manipulation; 8) trading for Respondent Grady & Hatch's own account or that of its associated persons; 9) commingling of monies; 10) conduct inconsistent with just and equitable fair trade; 11) mail and wire fraud; 12) failure to supervise; and 13) violations of all laws relating to the sale of penny stock. The causes of action relate to the purchase and/or sale of shares of stock in Teleservices International Group, Inc., Achieva Development Corp. and Ginsite Materials.

Respondent Grady & Hatch incorporated by reference and adopted the Statement of Answer filed by Respondent Hatch.

Respondent Black incorporated by reference and adopted the Statement of Answer filed by Respondent King.

Unless specifically admitted in his Answer, Respondent King denied the allegations made in the Statement of Claim and asserted the following defenses: 1) Claimant knew, consented and authorized all transactions in his account; 2) Claimant's account was handled in a professional manner; 3) Claimant filed his claims as a result of the non-participation by Respondents King and Grady & Hatch in fund raising for MegaWorld, Inc., a Texas company in which Claimant invested over \$800,000.00; 4) all sales of shares of stock in Teleservices International Group, Inc. were unsolicited; 5) Claimant approved all purchases of shares of stock in Achieva Development Corp. and Ginsite Materials.

Respondent Grady incorporated by reference and adopted the Statement of Answer filed by Respondent King.

Unless specifically admitted in his Answer, Respondent Hatch denied the allegations made in the Statement of Claim and asserted the following defenses: 1) Respondent Hatch was not an officer of Respondent Grady & Hatch; 2) Respondent Grady & Hatch advised Respondent Hatch that he owns one percent of Respondent Grady & Hatch; 3) Respondent Hatch does not know Claimant; 4) Respondent Hatch never had any contact with Claimant; 5) Respondent Hatch was never involved in Claimant's securities transactions; 6) Respondent Hatch has no knowledge of any dealings between Claimant and Respondents King and Black; 7) Respondent Hatch does not know Respondent Kirchhoff or Darrin Piro of Respondent Grady & Hatch; and 8) Respondent Hatch resigned from Respondent Grady & Hatch in

November 1999.

### **RELIEF REQUESTED**

Claimant requested: 1) compensatory damages in the amount of \$49,999.00; 2) punitive damages; 3) interest in the amount of \$4,800.00; 4) costs; 5) a declaration that Claimant may lawfully retain the shares of stock at issue that Claimant had purchased; 6) imposition of a \$100,000.00 fine as to Respondent Grady & Hatch; 7) imposition of a \$25,000.00 fine as to the principals of Respondent Grady & Hatch; 8) imposition of a \$25,000.00 fine as to Respondent King; and 9) such other relief the undersigned arbitrator (the "Arbitrator") deemed just and proper.

Respondents Grady & Hatch and Hatch requested dismissal of the Statement of Claim.

Respondents Black, King and Grady did not specify requested relief in their Statements of Answer.

### **OTHER ISSUES CONSIDERED AND DECIDED**

Respondent Hatch did not appear at the evidentiary hearing. Upon review of the file and the representations made by/on behalf of the Claimant, the Arbitrator determined that Respondent Hatch has been properly served with the Statement of Claim, has answered the Statement of Claim and has received due notice of the hearing, and that arbitration of the matter would proceed without Respondent Hatch present, in accordance with the NASD Code of Arbitration Procedure (the "Code").

Respondent Kirchhoff did not appear at the evidentiary hearing. Upon review of the file and the representations made by/on behalf of the Claimant, the Arbitrator determined that Respondent Kirchhoff has been properly served with the Statement of Claim and has received due notice of the hearing, and that arbitration of the matter would proceed without Respondent Kirchhoff present, in accordance with the Code.

Respondent Kirchhoff did not file with NASD Dispute Resolution, Inc. a properly executed submission to arbitration but is required to submit to arbitration pursuant to the Code and is bound by the determination of the Arbitrator on all issues submitted.

The parties at the evidentiary hearing have agreed that the Award in this matter may be executed in counterpart copies or that a handwritten, signed Award may be entered.

### **AWARD**

After considering the pleadings, the testimony and evidence presented at the hearing, and the post-hearing submissions (if any), the Arbitrator has decided in full and final resolution of the issues submitted for determination as follows:

1. Respondents Grady & Hatch, Grady and Black are liable, jointly and severally, and shall pay to Claimant compensatory damages in the amount of \$25,000.00, plus interest which shall be to accrue as of June 4, 2001, at the legal rate under Florida law, and shall continue to accrue until the Award is paid in full. The Panel finds said respondents liable for fraud and misrepresentation. The Panel does not find said respondents liable on all other claims.
2. All claims as to Respondents King, Kirchhoff and Hatch are denied.
3. Claimant's request for punitive damages is denied.
4. The issue of Claimant's entitlement to attorneys' fees shall be determined by a court of competent jurisdiction.
5. Respondent Grady & Hatch is liable and shall pay Claimant the sum of \$225.00 representing reimbursement of the claim filing fee previously paid by Claimant to NASD Dispute Resolution, Inc.
6. All other requests for relief not specifically addressed herein are denied.

#### **FEES**

Pursuant to the Code, the following fees are assessed:

##### **Filing Fees**

NASD Dispute Resolution, Inc. will retain or collect the non-refundable filing fees for each claim:

Initial claim filing fee	= \$225.00
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##### **Member Fees**

Member fees are assessed to each member firm that is a party in these proceedings or to the member firm(s) that employed the associated person(s) at the time of the event(s) giving rise to the dispute. In this matter, the member firm is a party.

Member surcharge	= \$ 800.00
Pre-hearing process fee	= \$ 600.00
Hearing process fee	= \$1,000.00

##### **Adjournment Fees**

Adjournments requested during these proceedings:

March 5 and 6, 2001, adjournment request by Respondents Grady & Hatch, Black and Grady	= \$450.00
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(the Arbitrator assessed \$225.00 of the adjournment fee to  
Claimant and \$225.00 of the adjournment fee to Respondent

Grady & Hatch)

On June 1, 2001, the Arbitrator denied Respondents' Grady & Hatch, Black and Grady motion to adjourn the evidentiary hearing scheduled for June 4 and 5, 2001.

**Forum Fees and Assessments**

The Arbitrator assesses forum fees for each hearing session conducted. A hearing session is any meeting between the parties and the Arbitrator, including a pre-hearing conference with the Arbitrator, that lasts four (4) hours or less. Fees associated with these proceedings are:

Two (2) Pre-hearing sessions with the Arbitrator x \$450.00	= \$ 900.00
Pre-hearing conferences: December 5, 2000 1 session	
February 28, 2001 1 session	

Two (2) Hearing sessions x \$450.00	= \$ 900.00
Hearing Date: June 4, 2001 2 sessions	

Total Forum Fees = \$1,800.00

The Arbitrator has assessed the total forum fees of \$1,800.00 to Respondent Grady & Hatch.

**Administrative Costs**

Administrative costs are expenses incurred due to a request by a party for special services including, but not limited to, additional copies of arbitrator awards beyond those provided without charge, copies of audio transcripts, retrieval of documents from archives, interpreters, and security.

There were no administrative costs incurred during these proceedings.

**FEE SUMMARY**

Claimant be and hereby is solely liable for:

Initial Filing Fee	= \$225.00	
Adjournment Fee	= \$225.00	
Total Fees	= \$450.00	
<u>Less payments</u>	<u>= \$450.00</u>	
Balance Due NASD Dispute Resolution, Inc.		= \$0.00

Respondent Grady & Hatch be and hereby is solely liable for:

Member Fees	= \$2,400.00
Adjournment Fee	= \$ 225.00
Forum Fees	= \$1,800.00
Total Fees	= \$4,425.00
<u>Less payments</u>	<u>= \$2,400.00</u>

Balance Due NASD Dispute Resolution, Inc. = \$2,025.00

All balances are payable to NASD Dispute Resolution, Inc. and are due immediately upon receipt of the Award by the parties.

**ARBITRATION PANEL**

Robert L. Hudson - Public Arbitrator

**Arbitrator's Signature**

\_\_\_\_\_/s/  
Robert L. Hudson  
Public Arbitrator

\_\_\_\_\_  
Signature Date

June 18, 2001  
Date of Service (For NASD-DR office use only)

Balance Due NASD Dispute Resolution, Inc.

= \$2,025.00


All balances are payable to NASD Dispute Resolution, Inc. and are due immediately upon receipt of the Award by the parties.

**ARBITRATION PANEL**

Robert L. Hudson

- Public Arbitrator

**Arbitrator's Signature**



Robert L. Hudson  
Public Arbitrator

6/15/01  
Signature Date

                      
Date of Service (For NASD-DR office use only)